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BANKS | SAUDI ARABIA

1Q26 RESULT REVIEW

Saudi Awwal Bank

27 April 2026

Saudi Awwal Bank (SABB AB) recorded a net profit of SAR 2,086 mn for 1Q26, in line with our estimates of SAR 2,054 mn (variance of +1.6%). Profitability declined 2.3% YoY with NIM pressures leading to downtick in net interest income (-1.0% YoY). Additionally, impairment provisions rose 17.2% YoY to SAR 166 mn due to management's decision to increase expected credit losses amid recent geopolitical tensions. With headline LDR of 92.6% in 1Q26, SAB is among KSA's most liquid banks and is well positioned to expand its loan portfolio. We remain 'Overweight' on the stock with a revised target price of SAR 44.3/share (previously SAR 42.3/share), implying an upside of 29.9%.

During 1Q26, net interest income reported a decline of 1.0% YoY (-3.6% QoQ) to SAR 2,870 mn. The growth in interest earning assets, with loan book up 10.1% YoY in 1Q26, was offset by a 33 bps YoY decline in asset yields to 5.4% (-25 bps QoQ). Hence, NIMs fell to 2.8% in 1Q26 from 3.1% in 1Q25 and 2.9% in 4Q25. The QoQ decline of 3.6% in net interest income was partly due to absence of a one-off gain recorded in 4Q25.

Non-interest income (NII) rose 3.0% YoY to SAR 742 mn in 1Q26. Fee and exchange income declined due to SAMA's fee cap revisions, though this was partly offset by capital gains on investments. NII fell 2.1% QoQ from lower fee and exchange income.

Operating expenses increased 2.8% YoY to SAR 1.1 bn, with cost to income ratio (CIR) of 30.5% during 1Q26 (+90 bps YoY). However, opex declined 7.6% QoQ, reflecting cost management strategies, resulting in a 142 bps QoQ decline in CIR from 31.9% in 4Q25. The bank reported increasing expected credit losses in response to elevated geopolitical tensions, resulting in a 17.2% YoY uptick in impairment provisions to SAR 166 mn. However, the rise in expected credit losses was partially offset by a recovery from a legacy client, resulting in a 37.1% QoQ decline in impairment provisions.

SAB continued to post double digit credit growth, with loan book arriving at SAR 306.9 bn, up 10.1% YoY (+2.8% QoQ), with steady growth across both corporate and retail portfolios (+10% YoY, each). Deposits grew at a faster pace of 14.1% YoY to SAR 331.4 bn, resulting in 340 bps YoY decline in headline LDR to 92.6% in 1Q26. However, with deposits increasing 2.5% QoQ, headline LDR reported a 23 bps QoQ increase from 92.4% in 4Q25. Investments declined 4.9% YoY (-7.5% QoQ) to SAR 99.6 bn.

Saudi Awwal Bank's strong liquidity position provides sufficient capacity to expand its lending portfolio, supporting profitability despite declining NIMs. We have an 'Overweight' rating on SAB, with a TP of SAR 44.3/share. The stock is currently trading at a 2026e P/E of 8.8x and P/B of 1.0x.

Financials (SAR mn)	1Q26A	1Q26E*	Var (%)	1Q25A	YoY	4Q25A	QoQ
Net Interest Income	2,870	3,033	-5.4	2,899	-1.0	2,976	-3.6
Non-Interest Income	742	760	-2.3	720	3.0	758	-2.1
Total Income	3,612	3,792	-4.8	3,620	-0.2	3,734	-3.3
Operating expenses	-1,101	-1,191	-7.5	-1,071	2.8	-1,191	-7.6
Impairment prov.	-166	-278	-40.4	-142	17.2	-264	-37.1
Net Income	2,086	2,054	1.6	2,135	-2.3	2,047	1.9
Adj. EPS	***0.94***	***0.92***		***0.98***		***0.88***	
Assets	459,740	470,741	-2.3	426,872	7.7	454,454	1.2
Investments	99,551	113,587	-12.4	104,703	-4.9	107,642	-7.5
Loans & Advances	306,906	310,454	-1.1	278,836	10.1	298,627	2.8
Deposits	331,411	323,672	2.4	290,440	14.1	323,274	2.5
Total Equity	81,011	79,169	2.3	72,909	11.1	79,339	2.1
NIM (%) - annualized	2.8	2.9	-9 bps	3.1	-29 bps	2.9	-12 bps
Op. cost to inc. (%)	30.5	31.4	-92 bps	29.6	90 bps	31.9	-142 bps
Provision/Loans (bps)	21.9	36.6	-15 bps	21.1	1 bps	35.7	-14 bps
Simple LDR (%)	92.6	95.9	-331 bps	96.0	-340 bps	92.4	23 bps
Assets to Equity (x)	5.7	5.9	-4.6	5.9	-3.1	5.7	-0.9

*anbc estimates

Source: Tadawul, anbc research

RATING SUMMARY — OVERWEIGHT

Target Price (SAR)	44.3
Upside/Downside (%)	29.9
Div. Yield (%)	6.3
Total Exp. Return (%)	36.1

Source: Company financials, anbc research

ISSUER INFORMATION

Bloomberg Code	SABB AB
Last Price (SAR)	34.1
No of Shares (mn)	2,055
Market Cap bn (SAR/USD)	70.1/18.7
52-week High / Low (SAR)	37.9/29.9
12-month ADTV (mn) (SAR/USD)	59.9/15.9

Close of 26th April, 2026

VALUATIONS

	2025	2026e	2027f	2028f
EPS (SAR)	3.8	3.9	4.2	4.7
PER (x)	9.0	8.8	8.0	7.3
PBV (x)	1.0	1.0	0.9	0.9
DPS (SAR)	2.0	2.1	2.3	2.6
Div. Yield (%)	5.9	6.3	6.8	7.6
RoAE (%)	11.7	11.3	11.6	12.2
RoAA (%)	1.9	1.7	1.7	1.8

Source: Company financials, anbc research

FINANCIALS (SAR bn)

	2025	2026e	2027f	2028f
Oper. Income	14.7	15.5	16.6	18.1
Provisions	0.7	1.1	1.2	1.2
Net Income*	7.8	8.0	8.7	9.7
Investments	107.6	111.2	119.3	128.0
Loans	298.6	331.0	364.9	401.3
Deposits	323.3	357.8	393.1	432.0
NIM (%)	3.0	2.9	2.8	2.8

*After Sukuk cost

Source: Company financials, anbc research

RELATIVE PRICE PERFORMANCE

Source: Bloomberg, anbc research

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Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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